

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIE-00

INRE-00 NSCE-00 SSO-00 EB-07 OMB-01 TRSE-00 COME-00

FAA-00 DOTE-00 /061 W

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O 172136Z MAY 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 9829

C O N F I D E N T I A L OTTAWA 1977

SECSTATE PASS SECDEF AND SECTREAS

E.O. 11652: GDS

TAGS: MILI, CA

SUBJ: FINAL CANADIAN DECISION ON LRPA PURCHASE

REF: USDAO OTTAWA 387 DTG 161415Z MAY 76

1. CANADIAN CABINET DECIDED THIS MORNING, MAY 17

(A) TO GO AHEAD WITH THE LRPA PROGRAM, (B) TO DO
SO WITHIN ESTABLISHED FISCAL FRAMEWORK.

2. THUS THE CANADIAN GOVERNMENT WILL NOT CONTRACT
FOR BRIDGE FINANCING, BUT RATHER WILL CUT AND TRIM
OTHER BUDGETARY EXPENDITURES THIS YEAR TO FIT THE
LRPA IN. METHOD OF DOING SO DESCRIBED IN REFTEL
MAY BE EMPLOYED, BUT NO FINAL DECISIONS HAVE YET
BEEN MADE.

3. SCHEDULE NOW CALLS FOR: (A) CONTRACT SIGNATURE
TODAY IF AT ALL POSSIBLE; (B) EMBARGOED OFFICIALS'
BRIEFING OF THE PRESS TOMORROW MORNING; AND (C)
ANNOUNCEMENT TO COMMONS TOMORROW AFTERNOON.

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4. AS BEFORE, DEAL COULD STILL GET HUNG UP ON

TECHNICALITIES. IN PARTICULAR IT IS NOT CLEAR WHETHER LOCKHEED REPS HERE HAVE AUTHORITY TO SIGN NEW CONTRACT WITHOUT FINANCING PROVISIONS. HOWEVER, DECISION TO GO AHEAD SHOULD NOW BE CONSIDERED IRREVERSIBLE.

5. COMMENT: THE TENACITY WITH WHICH THE CANADIAN CABINET HAS WORKED TO EXECUTE ITS DECISION IN PRINCIPLE OF LAST NOVEMBER TO INCREASE EQUIPMENT EXPENDITURES IS SIGNIFICANT. GRANTED THE INDUSTRIAL STAKES FOR CANADA ARE SUBSTANTIAL: WITHOUT LOCKHEED DEAL THE FUTURE OF CANADA'S AEROSPACE INDUSTRY WOULD BE MUCH DIMINISHED. BUT EVEN ALLOWING FOR THAT INTEREST, THE CANADIAN PERFORMANCE HAS BEEN IMPRESSIVE. THIS IS SUGGESTIVE OF THE FACT THAT ALTHOUGH DEFENSE IS NOT A HIGH PRIORITY ISSUE HERE, MANY CANADIANS DO FEEL THAT THEY ARE NOT DOING ENOUGH. AS ONE CABINET MINISTER (DEFENSE SPENDING OPPONENT AND FINANCE MINISTER MACDONALD) PUT IT TO ME: THE LIBERAL GOVERNMENT MIGHT HAVE BEEN IN SOME POLITICAL TROUBLE IF IT HADN'T GONE THROUGH WITH THE LRPA. IN THIS CONNECTION IN COMMONS QUESTION PERIOD TODAY OPPOSITION LEADER JOE CLARK SOUGHT ASSURANCES FROM MINDEF RICHARSON THAT IF BANK DEAL FELL THROUGH GOC HAD AVAILABLE ALTERNATIVE FINANCING ARRANGEMENT IN ORDER THAT PURCHASE OF THIS EQUIPMENT OF SUCH IMPORTANCE TO CANADIAN MILITARY COULD GO THROUGH EXPEDITIOUSLY. THIS IS FIRST TIME TO OUR KNOWLEDGE THAT OPPOSITION HAS GONE ON PUBLIC RECORD WITH SUCH UNEQUIVOCAL ENDORSEMENT OF LRPA PURCHASE.

6. ACTION REQUESTED: IT WOULD BE APPROPRIATE FOR SECDEF TO CONGRATULATE DND MINISTER RICHARDSON ON THE FINAL CANADIAN DECISION ONCE IT HAS BEEN MADE PUBLIC. RICHARDSON HAS WORKED HARD FOR THE DECISION AND IT COULD NOT HAVE OCCURRED WITHOUT HIM. REQUEST THAT SUCH A MESSAGE BE PREPARED FOR DELIVERY THROUGH THIS MISSION.

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7. ASSUME THAT STATE AND DOD WILL HAVE PREPARED STATEMENTS WELCOMING CANADIAN PURCHASE ONCE IT HAS BEEN MADE PUBLIC. ENDERS

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Margaret P. Grafeld
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